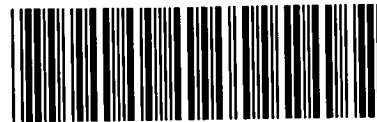


Registered number: 02695921

**VUR Village Hotels Limited**  
**Report and Financial Statements**  
**For the year ended 31 December 2016**

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**VUR Village Hotels Limited**

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**Company Information**

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<b>Directors</b>	C J Brennan G R Davis
<b>Registered number</b>	02695921
<b>Registered office</b>	1st Floor Lakeview 600 Lakeside drive Centre Park Warrington WA1 1RW
<b>Independent auditors</b>	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY

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**VUR Village Hotels Limited**

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**Contents**

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	Page
<b>Strategic Report</b>	<b>1 - 3</b>
<b>Directors' report</b>	<b>4 - 5</b>
<b>Independent auditors' report</b>	<b>6 - 7</b>
<b>Consolidated statement of comprehensive income</b>	<b>8</b>
<b>Consolidated balance sheet</b>	<b>9</b>
<b>Company balance sheet</b>	<b>10</b>
<b>Consolidated statement of changes in equity</b>	<b>11 - 12</b>
<b>Company statement of changes in equity</b>	<b>13</b>
<b>Consolidated Statement of cash flows</b>	<b>14</b>
<b>Notes to the financial statements</b>	<b>15 - 33</b>

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## VUR Village Hotels Limited

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### Strategic report For the year ended 31 December 2016

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The directors present their strategic report for the year ended 31 December 2016.

#### Business review

The Company is part of the Village Group, defined as VUR Holdings (UK) Limited and its subsidiaries, which owns and operates hotels and leisure clubs. The Village Group is owned and operated by investment funds managed by KSL Capital Partners, a private equity firm specialising in travel and leisure.

VUR Village Hotels Limited and its subsidiaries ("the Group") made a profit after taxation of £24,188,000 (2015: £53,005,000) which included £8,433,000 property impairment (2015: £23,233,000 net credit reversal of prior year impairment) in respect of tangible fixed asset revaluations.

At 31 December, the directors valued the Group's hotel property portfolio at £568,467,000 (2015: £527,840,000), an uplift of 7.7% on the prior year.

The Group generated a cash inflow from operations of £49,567,000 (2015: £10,133,000).

#### Operating review

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue	£184.9m	£180.0m
Occupancy for the period	80.9%	78.0%
Average daily room rate (ADR)	£67.00	£68.85
Revenue per available room (RevPAR)	£54.20	£53.71
No of bedrooms at period end	3,491	3,491

At 31 December 2016 Village Hotel Club operated 28 hotels at the following locations:

Aberdeen	Farnborough	Nottingham
Ashton Moss	Glasgow	St David's nr Chester
Blackpool	Hyde	Solihull
Bournemouth	Hull	Swansea
Bury	Leeds North	Swindon
Cardiff	Leeds South	Walsall
Cheadle	Liverpool	Warrington
Coventry	London Watford	Wirral
Dudley	Maidstone	
Edinburgh	Newcastle	

For the twelve months to 31 December 2016, the Group generated sales of £184,952,000 and an operating profit of £23,549,000.

Trade during the year has been very positive, despite disruption caused by the refurbishment of the bulk of the estate, with most properties having seen substantial investment and improvements in bedrooms, fitness areas and meeting rooms.

All customer facing operating systems have been replaced with our self check in pods which have received great customer feedback.

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## VUR Village Hotels Limited

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### Strategic report For the year ended 31 December 2016

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Performance in rooms and leisure have both improved year on year as the effects of the refurbishments begin to show through.

During the year, the Group started construction on a new hotel, Village Portsmouth, which is due to open in the latter part of 2017.

#### *Strategy*

Village's objective is to be a leading hotel operator with an integrated hub of accommodation, food and beverage and health and fitness facilities to business and leisure travellers as well as the local community continues. The Group's strategy for the business has four main strands;

*Membership* – to restore membership status as treasured customers and in doing so provide membership growth.

*Technology* – to upgrade and integrate all of our IT systems to deliver efficiencies and provide the services that customers and members expect.

*Refurbishment* – to provide significant reinvestment in our existing estate to ensure we deliver a market leading guest experience.

*New builds* - to re engineer our new build model to enable Village to enhance expansion opportunities.

#### **Business risks**

As well as reviewing performance and considering strategy, directors and senior management identify business risks and ensure that risk mitigation plans and controls are in place. The principal risks faced by the business are:

- **Financial loss** - with a large number of geographically dispersed business operations, the Group is continuously exposed to the risk of financial loss and the directors seek to mitigate these risks by providing clear guidelines and operating standards. These are codified in a Group Financial Control manual which ensures that management understand what is expected of them in this context. The Group's internal audit function visits every location at least annually and reports back to both front line management and to the Group's Finance Director. The Group has also formalised its risk management processes with a detailed risk control framework.
- **Personal health, safety and security** - thousands of people stay at our hotels and visit our leisure facilities every day. The Group employs a team of health and safety professionals to ensure that robust processes are in place at all times to protect our customers and staff, whose wellbeing is our paramount concern.
- **UK Economy** - The Group's fortunes are significantly influenced by the level of UK economic activity. The Group's businesses are all subject to a regular and comprehensive cycle of budgeting, forecasting and peer Group competitive analysis that facilitates early action if problems arise.

#### **Financial instrument risk**

The company makes little use of financial instruments. The Company is financed by amounts due to Group companies. Exposure to price risk is not material to the assessment of assets liability or loss of the Company.

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**VUR Village Hotels Limited**

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**Strategic report**  
**For the year ended 31 December 2016**

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**Foreign exchange risk**

The Group's trading exposure to currencies other than Sterling has been and remains extremely limited as would be expected for a Group whose trading activities are all UK based. The Group does not use derivatives to manage its currency exposure.

**Credit risk**

The Group's objective is to reduce the risk of financial loss due to a counter party's failure to honour its obligations. Standard payment terms are quoted to customers for contracts. Credit control procedures are performed in line with Group guidelines. The age and quantum of individual debts are monitored to ensure that the Group's exposure to potential bad debts is not significant.

**Going concern**

Borrowing facilities granted to the Group's parent entity VUR Investment (UK) Limited are secured against properties owned and operated by the Group. Borrowing facilities granted to the Group's parent entity VUR Holdings (UK) Limited are unsecured.

The Group's parent undertaking VUR Holdings (UK) Limited has agreed to provide continuing financial support to enable the Group to meet its liabilities as they fall due.

After making enquiries and preparing financial projections for the period ended 31 December 2018 the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

**Cashflow risk**

The Group aims to mitigate cashflow risk by carefully managing and monitoring cash generation from its operations.

This report was approved by the board on 19/06/2017 and signed on its behalf.



**C J Brennan**  
Director

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## **VUR Village Hotels Limited**

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### **Directors' report For the year ended 31 December 2016**

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The directors present their report and the financial statements for the year ended 31 December 2016.

#### **Principal activity**

The principal activity of the Company is that of a holding company.

At 31 December 2016, the Company and all of its subsidiaries were wholly owned subsidiaries of VUR Holdings (UK) Limited. These financial statements present the consolidated results and financial position for VUR Village Hotels Ltd and its subsidiaries ("the Group").

#### **Results and dividends**

The profit for the year, after taxation, amounted to £24,188,000 (2015 - £53,005,000). This result includes impairment losses of £8,433,000.

The directors do not recommend the payment of a final dividend (2015:£nil).

#### **Directors**

The directors who served during the year were:

C J Brenan  
G R Davis

#### **Matters covered in the strategic report**

The Group's key business and going concern risks and use of financial instruments are disclosed within the Strategic report.

#### **Employees**

The Group is committed to employee involvement throughout the business and seeks to keep employees informed about the Group's progress and affairs by way of various internal communications.

The Group is a strong supporter of equal opportunities in all aspects of employment, including recruitment and encouragement of employees to develop their full potential regardless of gender, marital status, social class, age, colour, national or ethnic origin, religious belief, sexual orientation or disability. The Group welcomes applications for employment from disabled persons and gives such applications full and fair consideration. The Group is proactive in providing training and career development for all employees.

The Group has implemented appropriate procedures to ensure that we comply with the provisions of the Bribery Act which became law in July 2011.

#### **Health and safety**

The health and safety of guests and staff continues to be of fundamental importance to the Group and the Group's risk management processes remain an integral part of everyday work activity.

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## VUR Village Hotels Limited

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### Directors' report (continued) For the year ended 31 December 2016

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#### Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

#### Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

This report was approved by the board on 19/06/2017

and signed on its behalf.



C J Brennan  
Director



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## **VUR Village Hotels Limited**

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### **Independent auditors' report to the members of VUR Village Hotels Limited**

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We have audited the financial statements of VUR Village Hotels Limited for the year ended 31 December 2016, which comprise the Consolidated Statement of comprehensive income, the Consolidated and Company Balance sheets, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes 1 to 25. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit or loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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**VUR Village Hotels Limited**

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**Independent auditors' report to the members of VUR Village Hotels Limited (continued)**

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**Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report and the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Alastair John Richard Nuttall (Senior statutory auditor)

for and on behalf of

**Ernst & Young LLP**

Statutory Auditor

Manchester

Date: 28/06/17

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**VUR Village Hotels Limited**

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**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2016**

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	Note	2016 £000	2015 £000
Turnover	2	184,952	180,015
Cost of sales		(92,630)	(92,853)
<b>Gross profit</b>		<b>92,322</b>	<b>87,162</b>
Administrative expenses		(61,902)	(57,203)
Exceptional administrative expenses	9	(8,433)	23,233
Other operating income	3	1,562	620
<b>Operating profit</b>	4	<b>23,549</b>	<b>53,812</b>
Interest receivable and similar income	7	40	46
<b>Profit before taxation</b>		<b>23,589</b>	<b>53,858</b>
Tax on profit	8	599	(853)
<b>Profit for the year</b>		<b>24,188</b>	<b>53,005</b>
Unrealised surplus on revaluation of tangible fixed assets		15,888	3,572
<b>Other comprehensive income for the year</b>		<b>15,888</b>	<b>3,572</b>
<b>Total comprehensive income for the year</b>		<b>40,076</b>	<b>56,577</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent Company		40,076	56,577
		<b>40,076</b>	<b>56,577</b>

The notes on pages 16 to 32 form part of these financial statements.

All amounts disclosed here are in respect of continuing operations.

**VUR Village Hotels Limited**  
**Registered number:2695921**

**Consolidated balance sheet**  
**As at 31 December 2016**

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Intangible assets	10	(2,647)	(3,515)
Tangible assets	12	571,114	531,355
		<u>568,467</u>	<u>527,840</u>
<b>Current assets</b>			
Stocks	14	1,423	1,442
Debtors: amounts falling due after more than one year	15	4,275	4,274
Debtors: amounts falling due within one year	15	231,425	104,572
Cash at bank and in hand	16	2,791	1,604
		<u>239,914</u>	<u>111,892</u>
Creditors: amounts falling due within one year	17	(602,656)	(473,882)
<b>Net current liabilities</b>		<u>(362,742)</u>	<u>(361,990)</u>
<b>Total assets less current liabilities</b>		<u>205,725</u>	<u>165,850</u>
<b>Net assets excluding pension liability</b>		<u>205,725</u>	<u>165,850</u>
Pension liability	23	-	(201)
<b>Net assets</b>		<u><u>205,725</u></u>	<u><u>165,649</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	10	10
Share premium account	19	4	4
Revaluation reserve	19	33,037	17,149
Profit and loss account	19	172,674	148,486
<b>Shareholders' funds</b>		<u>205,725</u>	<u>165,649</u>
		<u><u>205,725</u></u>	<u><u>165,649</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19/06/2017

  
**C J Brennan**  
 Director

The notes on pages 15 to 33 form part of these financial statements.

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**VUR Village Hotels Limited**  
**Registered number:2695921**

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**Company balance sheet**  
**As at 31 December 2016**

---

	Note	2016 £000	2015 £000
<b>Current assets</b>			
Debtors: amounts falling due within one year	15	990	990
		<u>990</u>	<u>990</u>
<b>Total assets less current liabilities</b>		<b>990</b>	<b>990</b>
<b>Net assets</b>		<u><b>990</b></u>	<u><b>990</b></u>
<b>Capital and reserves</b>			
Called up share capital	20	10	10
Share premium account	19	4	4
Profit and loss account	19	976	976
		<u><b>990</b></u>	<u><b>990</b></u>

The profit after tax of the Company for the year was £nil (2015 - £nil).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19/06/2017



**C J Brennan**  
Director

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**VUR Village Hotels Limited**

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**Consolidated statement of changes in equity**  
**For the year ended 31 December 2016**

---

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2016	10	4	17,149	148,486	165,649
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	24,188	24,188
Surplus on revaluation of tangible fixed assets	-	-	15,888	-	15,888
<b>Other comprehensive income for the year</b>	-	-	15,888	-	15,888
<b>Total comprehensive income for the year</b>	-	-	15,888	24,188	40,076
<b>At 31 December 2016</b>	<u>10</u>	<u>4</u>	<u>33,307</u>	<u>172,674</u>	<u>205,725</u>

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**VUR Village Hotels Limited**

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**Consolidated statement of changes in equity  
For the year ended 31 December 2015**

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	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2015	10	4	13,577	95,481	109,072
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	53,005	53,005
Surplus on revaluation of tangible fixed assets	-	-	3,572	-	3,572
<b>Other comprehensive income for the year</b>	-	-	3,572	-	3,572
<b>Total comprehensive income for the year</b>	-	-	3,572	53,005	56,577
<b>At 31 December 2015</b>	<b>10</b>	<b>4</b>	<b>17,149</b>	<b>148,486</b>	<b>165,649</b>

The notes on pages 15 to 33 form part of these financial statements.

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**VUR Village Hotels Limited**

---

**Company statement of changes in equity  
For the year ended 31 December 2016**

---

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2016	10	4	976	990
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
At 31 December 2016	<u>10</u>	<u>4</u>	<u>976</u>	<u>990</u>

**Company statement of changes in equity  
For the year ended 31 December 2015**

---

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2015	10	4	976	990
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	-	-
At 31 December 2015	<u>10</u>	<u>4</u>	<u>976</u>	<u>990</u>

The notes on pages 15 to 33 form part of these financial statements.



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**VUR Village Hotels Limited**

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**Consolidated statement of cash flows**  
**For the year ended 31 December 2016**

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	2016 £000	2015 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	24,188	53,005
<b>Adjustments for:</b>		
Amortisation of intangible assets	(868)	(793)
Depreciation of tangible assets	14,575	12,083
Impairment / (reversal of impairment) of tangible assets	8,433	(23,233)
(Profit) / loss on disposal of tangible assets	(234)	12
Interest received	(39)	(46)
Taxation credit	(599)	853
Decrease/(increase) in stocks	19	(27)
(Increase) in debtors	(661)	(3,331)
Decrease/(increase) in amounts owed by groups	6,983	(33,633)
(Decrease)/increase in creditors	(2,028)	5,243
(Decrease)/increase in provisions	(202)	-
<b>Net cash generated from operating activities</b>	<u>49,567</u>	<u>10,133</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(48,654)	(15,708)
Sale of tangible fixed assets	234	-
Interest received	40	46
<b>Net cash from investing activities</b>	<u>(48,380)</u>	<u>(15,662)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>1,187</u>	<u>(5,529)</u>
Cash and cash equivalents at beginning of year	1,604	7,133
<b>Cash and cash equivalents at the end of year</b>	<u><u>2,791</u></u>	<u><u>1,604</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	2,791	1,604
	<u><u>2,791</u></u>	<u><u>1,604</u></u>

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## VUR Village Hotels Limited

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### Notes to the financial statements For the year ended 31 December 2016

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#### 1. Accounting policies

##### 1.1 Statement of compliance and basis of preparation

VUR Village Hotels Limited is a limited liability company incorporated in England. The registered office is 1st Floor Lakeview, 600 Lakeside Drive, Centre Park, Warrington, England, WA1 1RW.

The financial statements have been prepared in compliance with Financial Reporting Standard 102, as it applies to the financial statements of the Company for the year ended 31 December 2016. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest thousand (unless otherwise stated).

##### 1.2 Basis of consolidation

The consolidated financial statements present the results of the Group and all of its subsidiaries ("the Group") for the year ended 31 December 2016. Intercompany transactions and balances between group companies are eliminated in full for the purposes of the consolidated financial statements.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

##### 1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management do not consider there to have been any judgements having a significant effect on the financial statements. The following are the Group's key sources of estimation uncertainty:

###### *Revaluation of tangible fixed assets*

The Group carries its operating properties at fair value, with changes in fair value being recognised in profit or loss or revaluation reserve as applicable. The Group engaged independent suitably qualified external valuers to determine fair value at 31 December 2016. In arriving at their valuation, the valuer used an Income Approach using the Discounted Cash Flow Method. The valuation assumes that the highest and best use of the assets is as trading hotels.

###### *Impairment of non-financial assets*

Investments are accounted for at cost less impairment. The Group performs its impairment review annually at the balance sheet date and whenever events occur that may be an indication of impairment.

The following principal accounting policies have been applied:

**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**1. Accounting policies (continued)**

**1.4 Going concern**

Borrowing facilities granted to the Group's parent entity VUR Investment (UK) Limited are secured against properties owned and operated by the Group. Borrowing facilities granted to the Group's parent entity VUR Holdings (UK) Limited are unsecured.

The Group's parent undertaking VUR Holdings (UK) Limited has agreed to provide continuing financial support to enable the Group to meet its liabilities as they fall due.

After making enquiries and preparing financial projections for the period ended 31 December 2018 the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

**1.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

The Village Group operates restaurants and bars at its hotels. Sales of goods are recognised when a hotel restaurant or bar sells a product to a customer.

**Rendering of services**

The Village Group supplies conference and event facilities as well as hotel rooms to businesses and private customers. Sales of rooms and conference and event facilities are recognised on the dates those facilities are used. Deposits received in advance are not recognised as revenue until the day of the stay or event.

Revenue from hotel management services is recognised as other operating income when the group obtains the right to consideration in exchange for its performance.

**1.6 Intangible assets**

Goodwill represents the difference between purchase consideration and the fair value of the assets and liabilities acquired. After initial recognition, goodwill is stated at cost less amortisation less any impairment losses, with the original carrying value being reviewed for impairments annually and whenever events or circumstances indicate that the carrying value may be impaired.

Goodwill is amortised on a straight line basis over 5 years, the period over which the directors estimate that the benefit will be derived.

Negative goodwill, being the excess of the fair value of the net assets acquired of a business over the amount paid for a business is credited over the period that the non-monetary assets are recovered, be it through depreciation or disposal.

Notes to the financial statements  
For the year ended 31 December 2016

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**1. Accounting policies (continued)**

**1.7 Tangible fixed assets**

Tangible fixed assets are carried at valuation. The basis of valuation is an annual valuation at each balance sheet date on a fair value basis by the Directors based on a valuation carried out by suitably qualified external valuers. The valuation therefore assumes that the assets continue in their current use as hotels.

Depreciation of freehold buildings is provided to write off the valuation less any estimated residual values over their estimated useful lives of 50 years. Leasehold properties are depreciated over the shorter of 50 years and the remaining lease term.

Other tangible fixed assets includes fixtures and fittings, plant and machinery and other equipment including computers.

Depreciation is provided to write down the cost of all other tangible fixed assets over their estimated residual values, and is calculated using the straight line method at the following rates:

Plant and equipment	-	25% per annum
Small operating equipment	-	50% per annum

Certain operating supplies previously treated as consumable stores are treated as property, plant and equipment (small operating equipment) and depreciated over a 24 month period.

Assets under construction are not depreciated until they are ready for use. When asset is fully depreciated and no longer in use both the gross amount and the aggregate depreciation are eliminated from the financial statements.

**1.8 Revaluation of tangible fixed assets**

Individual freehold and leasehold properties are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains are recognised in other comprehensive income and accumulated in the revaluation reserve, unless they are reversing a revaluation loss on the same asset that was previously recognised in profit and loss, in which case they are recognised in profit and loss. Revaluation losses are recognised in profit and loss, except to the extent that they reverse an increase previously recorded in other comprehensive income.

**Notes to the financial statements  
For the year ended 31 December 2016**

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**1. Accounting policies (continued)**

**1.9 Impairment of fixed assets and goodwill**

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that those values may not be recoverable. For the purposes of an impairment review, and in accordance with FRS 102, fixed assets are first grouped into cash generating units (CGU's). Each individual hotel is considered to be a separate CGU.

The carrying value of each CGU is then compared to its recoverable amount, which is defined as the higher of value in use or fair value less costs to sell.

Value in use is calculated for each cash generating unit by preparing a discounted cash flow valuation using the projections prepared by management for business planning purposes. The discount rate used is based on advice by independent qualified valuers based on prevailing market conditions. The valuation in use calculation assumes that the assets continue in their current use and does not consider how a third party may choose to operate such assets.

Fair value less costs to sell is based on the director's estimates of the current market value of the income generating unit.

If the carrying value of the cash generating unit exceeds the recoverable value so calculated, the excess is immediately charged to the profit and loss account.

**1.10 Operating leases: the Group as lessee**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease.

**1.11 Valuation of investments**

Investments are measured at cost less impairment. Impairment reviews of the recoverable amount of investments are carried out annually at the balance sheet date and whenever events occur that may be an indicator of impairment.

**1.12 Stocks**

Stock is valued at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing stock.

**1.13 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**1. Accounting policies (continued)**

**1.14 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**1.15 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including amounts due to group undertakings, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**1.16 Foreign currency translation**

Foreign currency denominated purchases or sales of goods and services are initially translated at the exchange rate ruling at the transaction date. Any exchange differences arising on subsequent settlement of those transactions or upon the retranslation of foreign currency assets and liabilities at the balance sheet date are taken immediately to the profit and loss account.

**1.17 Pensions**

Certain employees of the Village Group were eligible to be members of a defined benefit scheme operated by the Group.

In September 2016, the remaining deficit of £201,000 was paid out of funds already held in escrow. The scheme has now been formally wound up.

Additionally, the Village Group contributes to the money purchase defined contribution personal pension plans of certain employees. Payments to money purchase pension schemes are charged as incurred.

**1.18 Interest income**

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

**1.19 Taxation**

Tax is recognised in the Profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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**VUR Village Hotels Limited**

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**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**1. Accounting policies (continued)****1.20 Deferred taxation**

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**1.21 Exceptional items.**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

**2. Turnover**

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Sale of goods	64,738	64,732
Services rendered	120,214	115,283
	<u>184,952</u>	<u>180,015</u>

All turnover arose within the United Kingdom.

**3. Other operating income**

	2016 £000	2015 £000
Hotel management services	1,562	620
	<u>1,562</u>	<u>620</u>

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**VUR Village Hotels Limited**

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**Notes to the financial statements  
For the year ended 31 December 2016**

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**4. Operating profit**

The operating profit is stated after charging/(crediting):

	2016 £000	2015 £000
Depreciation of tangible fixed assets	14,575	12,083
Impairment of tangible fixed assets (note 9)	8,433	-
Amortisation of negative goodwill	(868)	(793)
Reversal of prior year impairment (note 9)	-	(23,573)
Impairment of intangible assets	-	340
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	75	92
Operating lease rentals:		
- plant and machinery	569	611
- other operating leases	5,167	4,233
Profit on disposal of fixed asset	<u>(234)</u>	<u>-</u>

The auditors' fee of £75,000 (2015: £92,000) which included £1,000 (2015: £14,000) in respect of the Company was settled by a fellow subsidiary company VUR Village Trading No 1 Limited. There were no non-audit services during the period.

**5. Employees and directors' remuneration**

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	53,496	51,588
Social security costs	3,565	3,327
Cost of defined contribution scheme	539	559
	<u>57,600</u>	<u>55,474</u>



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**VUR Village Hotels Limited**

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**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**5. Employees and directors' remuneration (continued)**

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
	<u>3,892</u>	<u>3,894</u>

The company had no staff costs for the year ended 31 December 2016 nor for the year ended 31 December 2015.

**6. Directors' remuneration**

Charges for the directors are made by way of a management charge from outside of the Village group of companies. It is not practicable to identify the element of their remuneration that relates to their services as directors of the Company or its subsidiaries.

**7. Other finance costs**

	2016 £000	2015 £000
Bank interest received	<u>40</u>	<u>46</u>
	<u>40</u>	<u>46</u>

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**VUR Village Hotels Limited**

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**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**8. Taxation**

	2016 £000	2015 £000
<b>Current tax</b>		
Current tax on profits for the year	(639)	853
<b>Total current tax</b>	<u>(639)</u>	<u>853</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	40	-
<b>Total deferred tax</b>	<u>40</u>	<u>-</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(599)</u>	<u>853</u>

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**VUR Village Hotels Limited**

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**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**8. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>23,589</u>	<u>53,858</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25 %)	4,718	10,906
<b>Effects of:</b>		
Capital allowances for year in excess of depreciation	435	2,315
Utilisation of tax losses	(453)	(1,708)
Short term timing difference leading to an increase in taxation	40	-
Non-taxable impairments	1,687	(4,705)
Other non-taxable items	(334)	(560)
Transfer pricing not reflected in accounts	(6,692)	(5,395)
<b>Total tax charge/(credit) for the year</b>	<u>(599)</u>	<u>853</u>

**Factors that may affect future tax charges**

A deferred tax asset of £29,475,000 calculated at a rate of 18% (2015: £27,693,000) being the excess of tax losses over accelerated capital allowances is unrecognised because the likelihood of realisation fails to meet the "more likely than not" criterion.

The UK corporation tax rate was reduced to 20% from 1 April 2015. The UK corporation tax rate is now set to fall to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 in accordance with legislation that was substantively enacted by 31 December 2016.

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**VUR Village Hotels Limited**

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**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**9. Exceptional items**

	2016 £000	2015 £000
Tangible fixed asset reversal of prior year impairment	-	(23,573)
Impairment of intangible assets	-	340
Impairment of tangible fixed assets	8,433	-
	<u>8,433</u>	<u>(23,233)</u>

**10. Intangible assets****Group and Company**

	Negative goodwill £000
<b>Cost</b>	
At 1 January 2016	(19,306)
At 31 December 2016	<u>(19,306)</u>
<b>Amortisation</b>	
At 1 January 2016	(15,791)
Charge for the year	(868)
At 31 December 2016	<u>(16,659)</u>
<b>Net book value</b>	
At 31 December 2016	<u>(2,647)</u>
At 31 December 2015	<u>(3,515)</u>

**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**10. Intangible assets (continued)**

Positive and negative goodwill is the difference between the amounts of consideration paid and the fair value of the Group's acquisitions of entities, trades and assets. Positive goodwill is amortised on a straight line basis over its life of 5 years, being the period in which the benefit is being derived. Negative goodwill is released during the period in which the non-monetary assets are expected to be recovered. Intangible asset carrying values are assessed for impairment on an annual basis and if the directors are of the view that indicators of impairment are present.

As a result of the impairment reviews performed in conjunction with the valuation of tangible fixed assets utilising ten year cash flow forecasts discounted using a market rate, a charge of £nil (2015: £340,000) has been recorded in the profit and loss account in respect of the release of the negative goodwill.

The Company did not hold goodwill at 31 December 2016 or 31 December 2015.

**11. Parent company profit for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £nil (2015 - £NIL).

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**VUR Village Hotels Limited**

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**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**12. Tangible fixed assets****Group**

	Land and buildings £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2016	697,861	21,991	719,852
Additions	29,239	17,640	46,879
Revaluations	7,455	-	7,455
At 31 December 2016	<u>734,555</u>	<u>39,631</u>	<u>774,186</u>
<b>Depreciation</b>			
At 1 January 2016	193,195	(4,698)	188,497
Charge for the period on owned assets	6,119	8,456	14,575
At 31 December 2016	<u>199,314</u>	<u>3,758</u>	<u>203,072</u>
<b>Net book value</b>			
At 31 December 2016	<u>535,241</u>	<u>35,873</u>	<u>571,114</u>
At 31 December 2015	<u>504,666</u>	<u>26,689</u>	<u>531,355</u>

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## VUR Village Hotels Limited

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### Notes to the financial statements For the year ended 31 December 2016

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#### 12. Tangible fixed assets (continued)

The cumulative revaluation of £79,190,000 in 2016 below shows the net movement in relation to the valuations from 2011 to 2016.

The Group's tangible fixed assets were valued at 31 December 2016 on a fair value basis (as defined and in accordance with FRS 102) by the Directors based on a valuation performed by Savills in 2016. The valuations carried out by Savills were made in accordance with guidance laid down in RICS Valuations Professional Standards (January 2014 as amended April 2015) which incorporate the International Valuation Standard (IVS 2013).

In arriving at their valuation, the directors and Savills used ten year cash flow forecasts.

As a result of the valuation an impairment charge to the profit and loss of £8,433,000 (2015: reversal of prior year losses £23,573,000) has been recognised during the year with £15,888,000 (2015: £3,572,000) recognised in the revaluation reserve.

There is no material difference between the depreciation that would have been charged under the historical cost convention and the actual amounts charged.

Cost or valuation at 31 December 2016 is represented by:

	Land and buildings £000	Fixtures and fittings £000	Total £000
Cost	811,225	42,151	853,376
Cumulative revaluation	(76,670)	(2,520)	(79,190)
	<u>734,555</u>	<u>39,631</u>	<u>774,186</u>

#### 13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country incorporation	of Class of shares	Holding	Principal activity
VUR Village Properties Limited	England	Ordinary	100%	Property investment company
VUR Village Hotels and Leisure	England	Ordinary	100%	Property investment company
VUR Village Trading No 1	England	Ordinary	100%	Hoteliers and leisure club operators
VUR Village Trading No 2	England	Ordinary	100%	Dormant company
VUR St Davids Hotel Limited	England	Ordinary	100%	Dormant company
VUR Village Hotel Holdings	England	Ordinary	100%	Holding company
VUR Village Holdings No 2	England	Ordinary	100%	Holding company
VUR Village Holdings No 3	England	Ordinary	100%	Holding company
VUR Swindon Limited	England	Ordinary	100%	Hotel management

All subsidiary undertakings have a registered office located in the UK.

Investments in subsidiary undertakings are stated at cost less any impairment.

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**VUR Village Hotels Limited**

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**Notes to the financial statements  
For the year ended 31 December 2016**

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**14. Stocks**

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Food and wet stock	899	999	-	-
Shop	524	443	-	-
	<u>1,423</u>	<u>1,442</u>	<u>-</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The company did not hold stocks at 31 December 2016 (2015: £nil).

The value of stock expensed during the year was £16,205,000.

**15. Debtors**

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Due after more than one year</b>				
Other debtors	4,275	4,274	-	-
	<u>4,275</u>	<u>4,274</u>	<u>-</u>	<u>-</u>

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Due within one year</b>				
Trade debtors	4,289	3,670	-	-
Amounts owed by group undertakings	220,700	94,468	990	990
Other debtors	1,616	1,303	-	-
Prepayments and accrued income	4,820	5,091	-	-
Deferred taxation	-	40	-	-
	<u>231,425</u>	<u>104,572</u>	<u>990</u>	<u>990</u>

Amounts owed by group undertakings are unsecured and receivable on demand.



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**VUR Village Hotels Limited**

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**Notes to the financial statements  
For the year ended 31 December 2016**

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**16. Cash and cash equivalents**

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand	2,791	1,604	-	-
	<u>2,791</u>	<u>1,604</u>	<u>-</u>	<u>-</u>

**17. Creditors: Amounts falling due within one year**

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade creditors	5,783	5,997	-	-
Amounts owed to group undertakings	578,176	445,600	-	-
Other taxation and social security	3,678	5,580	-	-
Other creditors	1,113	1,201	-	-
Accruals and deferred income	13,906	15,504	-	-
	<u>602,656</u>	<u>473,882</u>	<u>-</u>	<u>-</u>

Amounts owed to group undertaking are unsecured and payable on demand.

**18. Deferred taxation****Group**

	2016 £000
At 1 January	40
Charged to the profit or loss	(40)
	<u>-</u>

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**VUR Village Hotels Limited**

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**Notes to the financial statements  
For the year ended 31 December 2016**

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**19. Reserves****Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

**Revaluation reserve**

This reserve is used to record increases in the fair values of tangible fixed assets and decreases to the extent that such decrease relates to an increase on the same asset.

**Profit & loss account***Group*

The profit and loss reserve contains unrealised gains of £6,055,000 (2015: £6,055,000) created by the waiver of intercompany receivables and treated as a capital contribution. Under the Companies Act s846 these gains are not distributable except where the assets on which the gains are distributable except where the assets on which the gains arose are distributed as a non-cash distribution.

*Company*

The profit and loss reserve contains unrealised gains of £1,000,000 (2015: £1,000,000) created by the waiver of intercompany receivables and treated as a capital contribution. Under the Companies Act s846 these gains are not distributable except where the assets on which the gains are distributable except where the assets on which the gains arose are distributed as a non-cash distribution.

**20. Share capital**

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
9,540 Ordinary shares of £1 each	<u>9,540</u>	<u>9,540</u>

**21. Contingent liabilities**

Under the terms of the loan facility agreement dated 14 November 2016 between VUR Investment (UK) Ltd and Wells Fargo Bank a charge exists over all of the assets owned and operated by the Group. Total borrowings under the loan facility agreement at 31 December amounted to £325,000,000.

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**VUR Village Hotels Limited**

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**Notes to the financial statements  
For the year ended 31 December 2016**

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**22. Capital commitments**

At 31 December 2016 the Group and Company had capital commitments as follows:

	<b>Group</b>		<b>Company</b>	
	2016	2015	2016	2015
	£000	£000	£000	£000
Contracted for but not provided in these financial statements	15,827	7,695	-	-

**23. Pension commitments**

The Group operated a Defined benefit pension scheme.

The Village Group operated The Bridgemere Pension Scheme which was a funded self-administered, defined benefit scheme which was contracted out of the state scheme. The pension costs were determined based on the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method.

In October 2014, the Group and Trustees started preparatory steps to wind up the scheme. In that month, a valuation was undertaken and a cash contribution of £709,000 (representing 95% of the outstanding deficit) was paid into the scheme. Additionally, a payment of £988,000 was paid into escrow in order to discharge the remaining pension liability and all associated advisors fees. Of that amount, £787,000 was charged to the profit and loss account in 2015 and £201,000 held on the balance sheet in other debtors. In September 2016, the remaining deficit of £201,000 was paid out of the escrow account. The scheme has now been formally wound up.

	2016	2015
	£000	£000
Fair value of plan assets	-	2,943
Present value of plan liabilities	-	(3,144)
<b>Net pension scheme liability</b>	<b>-</b>	<b>(201)</b>

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**VUR Village Hotels Limited**

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**Notes to the financial statements**  
**For the year ended 31 December 2016**

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**24. Commitments under operating leases**

At 31 December 2016 the Group had future minimum rentals under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	5,167	4,133
Later than 1 year and not later than 5 years	20,667	16,532
Later than 5 years	176,696	141,502
	<u>202,530</u>	<u>162,167</u>

The Company had no operating commitments at 31 December 2016 (2015: £nil).

**25. Controlling party**

The immediate parent company of VUR Village Hotels Limited is VUR Investment (UK) Limited, a company registered in England and Wales.

The smallest group of companies in which the Company is a member and for which group accounts are prepared at 31 December 2016 is VUR Investment (UK) Limited. The largest group in which the company is consolidated is VUR Holdings (UK) Limited.

In the opinion of the directors the ultimate parent and controlling party of the Company is Monroe Offshore Holdings V Limited, a company registered in the Cayman Islands.